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SUBJECT: CENTRAL BANK MANAGER ON BASRAH PROBLEMS: SECURITY AND
ELECTRICITY

REF: BASRAH 49

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CLASSIFIED BY: Louis L. Bono, Director, Basrah Regional Embassy
Office, Department of State.

REASON: 1.4 (b), (d)

¶1. (C) SUMMARY: Zuhair Ali Akbair, General Manager for the Central Bank of Iraq (CBI), Basrah Branch met with Basrah Regional Embassy Office (REO) officials on August 11. Zuhair listed lack of electricity and security as the two main impediments to Basrah's development, but Zuhair showed no concern about security for the bank or his person. Another problem cited was delays in transmission of funds from Baghdad to the Basrah Provincial Council. Economic indicators in Basrah were slowly improving but unemployment and inflation remained high. Bank accounts are increasing, but Basrawis are still distrustful of the government and ignorant about the advantages of bank cards. End summary.

¶2. (SBU) Zuhair noted the great economic potential of Basrah with its combination of ports, agriculture and oil, and some positive signs such as the increased strength of the dinar. Nevertheless he said that economic development had not progressed as it should have in Basrah. Zuhair described sub-optimal performance in oil production as one of the main obstacles to economic development in Iraq. While hydrocarbon production was up, he sees serious limitations in oil exports from the two marine terminals south of Basrah, where loading was hamstrung by rough seas at some times of the year. In Basrah, the agricultural sector is still suffering; Zuhair recalled earlier times when Basrah was the breadbasket of Iraq and noted that much arable land was going untilled. The two major blocks to economic growth in Basrah province were insufficient electricity and security; almost all economic activity in Basrah, even agriculture and construction, depended on these two pillars.

¶3. (C) Electricity in Basrah city was currently running in homes for two hours after blackouts of four to six hours. With only about six hours of intermittent electricity per workday, businesses could not prosper. There are no law enforcement efforts to prevent the rampant theft of electricity from lines, and no legal or other consequences for electricity thieves that are caught. Zuhair recalled somewhat wistfully the days of Saddam Hussein's regime, when electricity theft in Basrah was non-existent; anyone caught stealing was executed.

¶4. (C) Lack of security was also stifling Basrah's commerce.

Zuhair related trying to get the Standard Charter Bank in Dubai to open a Basrah branch, but Standard declined due to the lack of security. The number of private banks in Basrah - 15 - had not changed over the past year despite increased commerce in Basrah. Lack of security hampers movement of agricultural products to market as common criminals robbed the trucks, Zuhair said, and it slows down most other commercial activities.

¶15. (C) Ironically Zuhair did not seem concerned about security either for the CBI Basrah Branch or himself. He said that the Facility Protection Service was doing an adequate job (despite being queried about reports of less than ideal FPS security for the CBI in Baghdad and reminded of the notorious break-in of the Basrah Branch in 2003). As for him, Zuhair said he did not fear kidnapping, as the militias all understood that he did important work that benefited all. (Note: Zuhair drove to the REO with only a driver whom he said was not even doubling as a bodyguard. End note.)

¶16. (C) Unemployment contributes to Basrah's security problem as youths are drawn to militias. Although he admitted that unemployment had decreased somewhat in recent months, it remains very high, especially for young adult males. Militia attacks would decrease if employment could rise, he maintained. (Note: During our meeting, a rocket attack was launched against our compound, and Zuhair commented, "We need to put those people to work." End note.) Most laborers have food on hand for only two days. Inflation in Basrah was very high. An example is the bottles of propane that are used universally; what cost 250 dinar under Saddam, cost 10,000 dinar six months ago and now sells for 20,000 dinar. Zuhair discounted any significant Iranian investment as affecting employment.

¶17. (C) Zuhair opined that some sort of interest rate incentive would help the Basrah economy. Savings accounts paid 10% interest, with 12% for a one-year deposit. CBI Basrah Branch was lending funds to private banks at 20%. Zuhair noted that the number of private bank accounts is slowly increasing, but that his touted cash machine card (reftel) that he introduced has

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been slow to catch on. This despite a new feature that card holders could get instant loans with the cards. He faults lack of education in the bank and government-wary Basrawis and thinks that a television advertising campaign would be needed to get people to accept the card. The majority of Basrawi workers are paid in dinars, he said; manufacturing imports from Kuwait and agricultural imports from Iran are paid for in dollars.

¶18. (C) Zuhair did not bring any statistics to back up his generalizations about the Basrah economy, but he said that he is preparing a report that would lay out in detail the economic issues facing Basrah and his recipe for progress with Basrah as part of a federal system. The cornerstone, he said is an employment plan with capital funding along the lines of Nobel Laureate Muhammad Yunus' famous plan for reaching almost full employment in that country. Giving the provincial governments timely resources for development was another key point: although there was a working connection from CBI Basrah Branch to CBI Baghdad, delivery of funds from the federal government to the Provincial Council is too slow.

¶19. (C) COMMENT: Zuhair is an articulate and educated man whose description of Basrah's issues rang true. We found it odd that despite lamenting poor security, he is not worried about kidnapping or bank robbery; we wonder if he may have reached an accommodation with the militias. Zuhair was careful not to criticize any particular militia or political party as contributing to security problems, and his statements that there is little Iranian investment are inconsistent with other indicators. Despite his nostalgia for Saddam's firm hand in dealing with crime issues, Zuhair was proud of his refusal to join the Baath party even though it cost him travel authorization to study for a PhD in San Francisco in the late 70's.

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